Star Navigation Systems Group Ltd.
Management's Discussion and Analysis
For the three and six month periods ended December 31, 2017 and December 31, 2016

Date – March 1, 2018

The following management discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Star Navigation Systems Group Ltd. (the "Company" or "Star") for the three and six month periods ended December 31, 2017 and December 31, 2016 and should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2017 and June 30, 2016. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Information contained herein is presented as at March 1, 2018.

Certain information in this MD&A or incorporated by reference, and in other public announcements by the Company is forward–looking and is subject to important risks and uncertainties. Words such as "may", "will", "believe", "expect", "anticipate", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements may be found in the General Development of the Business, Overview of Products, Operational Milestones, Outlook, Selected Financial Information, Results of Operations, Liquidity and Capital Resources and Overview sections of this MD&A. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals and objectives. Forward–looking statements are necessarily based upon estimates and assumptions considered reasonable by management but which are subject to business, economic and competitive uncertainties. Results could differ materially from those projected in forward-looking statements. Aside from its efforts locally in the United States and Canada as well as in Europe, the Company continues to pursue sales and marketing efforts for its main STAR-A.D.S. ® System and **STAR M.M.I.™** products and variants, either directly or through joint arrangements in North America, the Middle East, South East Asia and developing countries, focusing on airlines, operators and avionics integrators. The Company is of the opinion that these geographical areas represent very significant current and future growth potential in terms of passenger miles flown and therefore, demand from operators for technology which will offer enhanced safety and efficiency to their operations. However, the Company accepts the fact that pursuing opportunities in areas outside North America and Europe potentially subjects it to risks involving political unrest, cultural differences, differing legal environments and business practices, and the significant added expense of travel and accommodation for Company personnel required to be onsite for sales, testing and installation duties. The Company endeavors to mitigate these risks as much as reasonably possible through the judicious use of secure financial instruments, experienced local sales agents and coordinated marketing and travel arrangements.

Factors which could cause actual results to differ materially from current expectations include, among other things, the ability of the Company to successfully implement its strategic, sales, research and development and financing initiatives and whether such initiatives will yield the expected benefits.

In addition, the ability of the STAR-A.D.S. ® and STAR- M.M.I.™ divisions to successfully promote and sell products and services is critical. Competitive conditions in the business in which the Company participates, supply chain interruptions, general economic conditions and normal business uncertainty, fluctuations in foreign currency exchange rates and changes in laws, rules and regulations applicable to the Company in the jurisdictions in which the Company operates are all factors to be taken into consideration. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, or future events or otherwise, except as may be required by law.

Readers are cautioned that forward-looking statements are not guarantees of future performance.

Further information relating to Star is available on SEDAR at www.sedar.com.

GENERAL DEVELOPMENT OF THE BUSINESS

Star Navigation Systems Group Ltd. commenced its operations in May 2000 and was listed on the TSX Venture Exchange (the “TSX-V” or the “Exchange”) on August 29, 2002 under the symbol ‘SNA’. The Company voluntarily delisted its shares from trading on the TSX-V April 5, 2017 and commenced trading on the Canadian Securities Exchange (the “CSE”) on April 6, 2017.

Star Navigation Systems Group Ltd. is a leading-edge Canadian publicly owned technology company. It focuses on providing aerospace and transportation solutions—hardware and software platforms—that assist aviation and other transport related operators worldwide. Headquartered in Toronto, Ontario, Star has developed the STAR-ISMS® In-Flight Safety Monitoring System, an aircraft computer that is at the heart of the STAR airborne data service (‘STAR-A.D.S. ®’). It is the first system in the world that combines in-flight data monitoring, diagnostics and data analysis with real-time secure connections between the aircraft and the ground, using real-time satellite transmission.

The STAR-A.D.S. ® System provides real-time monitoring, data analysis, aircraft health and flight operation status, and real-time position (tracking) information, all of which contribute to aviation safety, reduction of fuel usage and maintenance costs, reduction of carbon footprint, and provides the opportunity for enhanced return on investment for airlines.

The STAR-ISMS® G2 computer was tested and certified for airworthiness by major aviation regulatory authorities including Transport Canada (“TC”) and the U.S. Federal Aviation Authority (“FAA”). Star owns the resulting certifications for installations on commercial and business aircraft (e.g.: A320, B737, Learjet 45.) as well as other certifications for previous applications to older aircraft. Star owns the worldwide exclusive license to this patented technology and is actively developing new applications for in-flight medical monitoring, environmental monitoring, and ground-based systems. It has completed development of the third generation (“G3”) computer that combines, in one unit, several updated air-to-ground communications means, in particular, adding the possibility to switch from satellite communications to GSM communications, providing maximum flexibility and cost-effectiveness to the users.

GENERAL DEVELOPMENT OF THE BUSINESS (Cont'd)

The STAR-M.M.I. ™ Division was created in April 2014. The Division designs, manufactures, repairs and sells high performance flat panel displays for defence and commercial aviation industries, and has been an important revenue generator within Star. STAR- M.M.I. ™ serves major avionics integrators and system manufacturers worldwide.
All operations of the Company are consolidated for accounting purposes and thus are not segregated by division.

OVERVIEW OF ACTIVITIES AND STAR PRODUCTS

STAR-A.D.S. ®

The STAR-ISMS® patented technology is the heart of the STAR-A.D.S. ® System. The System provides airlines/operators with a cost effective, end to end solution, allowing the automated capture and delivery of the results of real-time, in-flight analysis of an agreed set of parameters. This offers the capability of real-time monitoring of the aircrafts' performance, its status and location, and provides instant and secure access to essential aircraft information from a PC based web connection. The STAR-A.D.S. ® System delivers high value, streamlined operational information with minimum impact to the airline's internal processes and procedures. It uses a Graphical User Interface ("GUI") providing the operator with fast, convenient visibility of information from any location, within minutes of the data being generated on an aircraft data bus, in flight, anywhere in the world.

STAR-T.T.T. ™ / STAR-*V-trk*™

The Company has refined and expanded the manner in which the STAR-A.D.S. ® System is marketed and sold. The efforts of its Research and Development team to enhance the capabilities of the STAR-A.D.S. ® System, as well as the rest of the Star product line, has resulted in two additional differentiated products coming online:

- Recognizing the requirement for a smaller and reduced version of the full STAR-A.D.S.® System, Star has introduced STAR-T.T.T.™ (TALK, TRACK, TEXT), which will be utilized by small aircraft and land vehicles. Our Chinese partner, Chengdu Spaceon Technology Ltd. ("Spaceon"), has initiated the development in China of the STAR-T.T.T. ™ under STAR specifications Star. STAR-T.T.T. ™ has potential applications for land vehicle applications as well.

- Star has developed another product, known as STAR-*V-trk*™, which is a small, economical unit with several variants, starting with a worldwide tracker, and adding incremental options for monitoring various functionalities. The product has received strong interest as a multi-purpose tool from the small aircraft and helicopter community. Its specifications have been updated, taking into account the requirements and comments received. STAR-*V-trk*™ is ready to market and a first offer was made and won mid 2017 with delivery made end 2017.The full entry into market is expected during 2018.

STAR-M.M.I. ™

The STAR-M.M.I. ™ Division designs, manufactures, repairs, performs qualification tests on, and supports on-board LCD flat screen displays. These high-performance LCD displays and control panels from STAR-M.M.I. ™ are used in the cockpits of fixed wing aircraft and helicopters for both civilian and military applications.

STAR-M.M.I. ™ has full capability, in-house, to design, manufacture and offer customer support. Its products have already been delivered to various major system avionics integrators worldwide, all of them appearing in the Fortune 500 listing.

OPERATIONAL MILESTONE UPDATES

During the period ended December 31, 2017, the Company made the following progress towards achieving its strategic growth objectives:

- Star and its major STAR-M.M.I.™ customer in the USA, have entered into a maintenance, repair and overhaul agreement which extends their relationship to up to 2021 for specific displays for the P3 maritime patrol aircraft.

- Star has strengthened its approach to the European market through an agreement with a Maintenance and Repair Operation (“MRO”) company based in France and in Switzerland. The MRO brings logistics and repair capabilities already recognized in the commercial avionics field in Europe, with an extension to the Middle East through the MRO’s rapid expansion. Star has delivered STAR-M.M.I. ™ display demo units in order to support their presentation efforts and has provided commercial and technical information to support the MRO marketing and sales first approaches.

- Star continues its cooperation with Spaceon, a Chinese aerospace corporation with expertise and experience in airborne avionics and data communications equipment. Spaceon is Star’s development partner for the STAR-T.T.T.™ equipment, for which qualification against Transport Canada criteria is expected to be achieved mid 2018

- Spaceon has developed and will manufacture the STAR-T.T.T.™ under Star specifications. Spaceon, in the meantime, is ramping up its efforts to market, sell and support both the STAR-T.T.T.™ and potentially the STAR-A.D.S.® System in China. STAR will offer the STAR-T.T.T.™ equipment and solution, along with the STAR-A.D.S.® System, to the rest of the world.

- STAR concluded a cooperation and distribution agreement with Zhongllian Tiantong Space Technology (ZLT) in Tianjin China, to distribute and support the STAR- V-*trk*™ equipment, which is a spin-off under a smaller form factor of the STAR- A.D.S.®. The STAR- V-*trk*™ will better meet the requirements of small aircraft and helicopter operators, with less on-board real estate requirements. STAR is proceeding with the final development of the STAR- V-*trk*™ in Canada and will sell the equipment to ZLT for their marketing efforts in China. STAR will pursue the STAR- V-*trk*™ marketing and sales in the rest of the world.

OPERATIONAL MILESTONE UPDATES (Cont'd)

- In 2016, ICAO made official recommendations to airlines and OEMs that they install equipment capable of providing regular tracking reports during a flight as of 2020. The STAR-A.D.S.® system, as certified and fielded, already addresses the objectives of the focus groups, and today already meets the ICAO recommendations. Star will continue to assist all regulatory and industry bodies.

- Star concluded a cooperation agreement with ISONEO, a leading European engineering and development corporation, recently established in Canada, to jointly conduct new R&D projects specifically in the domains of Medevac applications of the STAR- A.D.S.® system. ISONEO and STAR provided a consortium led by Bombardier aerospace with a modified STAR- A.D.S.® system for a Canadian funded Research project that will check and analyze high altitude radiation levels during flights. The system has been installed on–board a flight test aircraft and has been performing its data collection and analysis since late 2017.The study will feed a subsequent European and Canadian research program in the same field. Both companies are demonstrating the flexibility and the adaptability of a STAR- A.D.S.® platform to accommodate various kinds of data and to transmit them to the ground.

- The STAR- A.D.S.® Gen 3 has passed all qualification tests for on-board use, and received certification from Transport Canada, allowing its installation on an A310. The first installation has been performed and the first Gen 3 system is being prepared for FAA validation as requested by the Customer.

- Star has received orders for maintenance services of LCD displays from Northrop Grumman Italy, from a U.S. based maintenance provider for military equipment, as well as from Rheinmetall Canada. These orders consist of the trouble-shooting, repair and tests of legacy equipment that was designed and produced by Luxell Technologies, before Luxell's assets were purchased by STAR in 2014. STAR has now migrated almost all of the past Luxell customers to its current portfolio of activities.

OUTLOOK - STRATEGIC OBJECTIVES FOR FY2018 AND BEYOND

Star's management is working to achieve the following objectives over the next 12 months and beyond:

- Star will continue to execute the commercialization of the STAR-A.D.S.® System, STAR-T.T.T.™ and STAR V-*trk* ™ products with a focus on:
    - Specific airlines and operators using the legacy A320, B737 and Learjet business jets to leverage on Star's existing STC's and first installation experience.
    - Completing the dual certification of the STAR-T.T.T.™ in China and in Canada and commencing its entry into markets for Talk, Track and Text requirements.

- Implementing the joint sales and marketing plan objectives with our Chinese partners (Spaceon and ZLT) after delivery of the first two units to ZLT.

- Finalizing the qualification and Transport Canada certification of the STAR V-*trk*™ for small platforms and for ground transport, to bring it into the market. There are three main geographical markets considered: Canada, China, and Europe.

- Logging the first STAR- V-*trk*™ sales in China and in the rest of the world, having already replied to several Requests for Information on that equipment.

- Continuing to develop and exploit new applications of existing Star technology in the areas of land and marine transportation.

- Developing its efforts in R&D with the provincial and federal authorities to quickly prepare evolutions and new applications of its lines of products in the aerospace field.

- Working closely in support of the efforts of its distributors and rationalizing the distribution system.

- Further developing the capability and marketability of its data management services through further value-added services, either in-house or in a tight partnership, offering applications directed towards flight safety, direct analysis by the operator of their operational data, and other services that allow the operator to save time and resources in the collection, formatting and analysis of data.

- In conjunction with Stars' strategic partners, developing new and refining existing medical monitoring aspects of the STAR-ISMS® technology. The first MEDEVAC development contract was an R&D effort, supported by the Quebec MEDTEQ provincial organization, and the Federal NSERC over CY 2016 and CY 2017. It addressed a representative prototype of the Emergency Medical Evacuation application using the STAR-A.D.S.® System, transmitting the bio data of a patient directly from the aircraft in flight to the receiving medical dispatch center, in real time. Applications are designed to enhance EMS and Military capabilities, as well as supporting passenger airlines and highway ambulances.

- STAR is proposing a further R&D program to the federal government for 2018, with additional capabilities in augmented reality. The objective is to lighten the on-board paramedic workload and to facilitate the decision-making process of the doctors on the ground. The end resulting system from MEDEVAC phase 1 is already advertised to Emergency Medical Services operators.

- In FY2018, continuing to develop additional STAR-M.M.I.™ Division products (e.g. retrofits for commercial aircraft and helicopters in particular for military aircraft) and capabilities through distribution and support agreements with complementary companies.

OUTLOOK - STRATEGIC OBJECTIVES FOR F2018 AND BEYOND (Cont'd)

- Continuing to promote its product lines at selected airshows and attending focused industry conferences in coordination with Star partners, to demonstrate Star's products and expand branding visibility.

- Implementation of the three-year R&D plan for the STAR-A.D.S.® System, STAR-T.T.T.™, Star *V-trk*™ and STAR-M.M.I.™ lines of products to structure and to support development efforts and to ensure increased product offerings. This plan will address:

    - Completion of the MEDEVAC prototyping and qualification for STAR-A.D.S.®, and extension of the MEDEVAC approach to Europe through partnering. Entry into force of a new MEDEVAC R&D program for 2018–2020 timeframe, supported by the federal Government, maximizing the Canadian content.

    - Development of specific new application services for the STAR-A.D.S.® System to offer to customers.

    - Increase of STAR-M.M.I.™ capabilities for obsolescence replacement solutions to the market (defense and commercial). STAR-M.M.I.™ is proposing, for instance, to replace legacy CRT or TEFL based instruments in displays with LCD based specialized modules (less power requirement, less weight, increased life-time, less obsolescence in the long run).

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

General Financial Information at December 31, 2017

The Company completed a Shares for Debt financing in July 2017 and retired over $2.1 million in accounts payables and loans. This has significantly improved the Company's financial outlook and demonstrated the strong support that the Company has from its short-term lenders. The Company continued to increase its cash on hand during Q2 as shareholders exercised their rights to obtain common shares of the Company by redeeming warrants held, even as the share price of the Company has leveled off. This influx of cash has allowed Star to pay down outstanding CRA arrears regarding payroll as well continue work on other projects.

The Company will continue to require debt and/or equity financing until it is able to generate sustainable revenues from operations on a consistent basis. The Company is looking at all available financing options. There can be no assurance that the Company will be successful in obtaining further financing.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND analysis (Cont'd)

General Financial Information at December 31, 2017 (Cont'd)

The Company's STAR-M.M.I.™ Division ("Man Machine Interface") business commenced operations in April 2014. The division has generated significant revenues for the Company since start-up. However, the Company saw large decreases in revenues in FY2016 and FY2017 due to contract complications occurring between Star's major customer and the U.S. government. The outcome of these discussions was the re-negotiation and execution of a multiple year repair and maintenance agreement with Star's customer to cover activities up to the year 2021. STAR-M.M.I.™ revenue for the six month period ended December 31, 2017 is $4,520 vs. $169,331 in 2016. The Company is looking forward to a return to regular sales levels with this customer in FY2018 but there can be no guarantee of this.

Accounts receivable are collected on a regular basis. The balance of accounts receivables outstanding at December 31, 2017 is $Nil.

Assets have dropped in Q2 from June 30, 2017 due to the change in cash position at December 31, 2017 which has decreased by $2,598 over year-end results.

Inventories have remained at the same level as at year-end. Other assets are up marginally.

Capital and intangible assets have decreased due to normal depreciation and amortization charges taken in 2017.

Accounts payable and accrued liabilities have decreased by $907,789 due to the shares for debt conversion which occurred in July 2017. Payroll remittances for calendar 2017 are current and the Company has paid down its payroll arrears to $135,000 as of the date of this MD&A. The Company has a repayment plan in place with the Canada Revenue Agency.

The Company also retired $810,005 of loans in Q1 that were outstanding at June 30, 2017 in the shares for debt conversion as well.

Due to Related party balances also dropped as Directors of the Company converted outstanding balances totaling almost $826,665. This has significantly cleaned up the Company's balance sheet and reduced its working capital deficiency at December 31, 2017. The Company's only material debt continues to be the amount due to the CEO and Chairman of the Company which amounted to $1,573,616 at December 31, 2017.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information, presented in Canadian dollars and prepared in accordance with IFRS. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned eight quarters.

(Expressed in $)

	2017	2017	2017	2017
Period Ending	December 31	September 30	June 30	March 31
Revenue	-	4,520	110,242	133,562
Working Capital/(Deficit)	(2,454,496)	(2,017,089)	(4,603,856)	(3,111,925)
Expenses	613,572	919,023	833,500	515,057
Net Loss	(613,572)	(914,503)	(723,258)	(381,495)
EBITDA	(574,541)	(878,798)	(655,559)	(335,016)
Net Loss (per Share)	(0.001)	(0.002)	(0.002)	(0.001)

	2016	2016	2016	2016
Period Ending	December 31	September 30	June 30	March 31
Revenue	52,601	116,730	2,851	45,350
Working Capital/(Deficit)	(2,746,273)	(2,250,628)	(1,866,243)	(1,896,761)
Expenses	564,091	552,924	1,830,310	679,080
Net Loss	(511,490)	(436,194)	(1,827,459)	(633,730)
EBITDA	(457,916)	(384,264)	(1,775,175)	(518,586)
Net Loss (per Share)	(0.001)	(0.001)	(0.005)	(0.002)

RESULTS OF OPERATIONS

Comparison of the three-month periods ended December 31, 2017 and December 31, 2016

The Company has sustained a loss of $613,572 for the three month period ended December 31, 2017 vs. a loss of $511,490 for the three month period ended December 31, 2016. The decrease in loss is due to various decreases in general & administrative ("G&A"), Research & development ("R&D") costs, marketing and promotional costs ("M&P") and inventory consumed.

Revenues:

	Three-months ended December 31, 2017	2016	Variance
Total Revenues	**-**	**52,601**	**(52,601)**
Star MMI	**-**	**52,601**	**(52,601)**
Star TTT	**-**	**-**	**-**

Revenues for the three month period ending December 31,2017 have decreased by $52,601 over the same period in 2016.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three-month periods ended December 31, 2017 and December 31, 2016 (Cont'd)

Revenues (Cont'd)

Star MMI revenues have dropped in 2017 by $52,601 due to no incoming sales from its customer in Q2. The Company has 4 units being shipped in Q3 for Lockheed Martin as well as several other completed MMI projects shipped and billed in Q3. Star has no control on this front but is confident these sales will return to normal levels during FY2018.

Cost of Inventory Consumed:

Three-months ended December 31,			
	2017	**2016**	**Variance**
Total Cost of Inventory Consumed	**7,009**	**14,176**	**(7,167)**

Cost of inventory consumed for the year ended December 31, 2017 decreased over 2016 due to no sales within its STAR-M.M.I.™ program.

General and Administrative:

Three-months ended December 31,			
	2017	**2016**	**Variance**
Total G&A expenses	**290,409**	**341,617**	**(51,208)**
Accounting fees	**6,000**	**28,840**	**(22,840)**
Bank charges & interest	**1,021**	**3,071**	**(2,050)**
Board and Committee fees	**18,000**	**22,647**	**(4,647)**
Insurance	**19,933**	**24,340**	**(4,407)**
Other	**71,780**	**24,175**	**47,605**
Professional fees	**1,050**	**33,851**	**(32,801)**
Rent	**36,000**	**49,959**	**(13,959)**
Wages	**136,625**	**154,734**	**(18,109)**

Board and Committee fees are down in 2017 as the Company had two fewer directors than it had in 2016 in the same period.

Insurance costs for commercial, liability and D&O (Director and Officer) insurance have dropped in 2017. The Company has been able to negotiate lower rates for its commercial and liability insurance. Group insurance costs are the largest component of insurance costs and have dropped on year over year basis due to a reduction in the overall staffing levels.

Wage expense is down slightly in 2017. The Company CEO is back to a full salary.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three month periods ended December 31, 2017 and December 31, 2016 (Cont'd)

General and Administrative (Cont'd)

Rent expense has dropped due to the Montreal office being closed during the year. The Company has a new landlord at its Head Office which has resulted in no TMI accrual during this period.

Other expenses have increased in this period over 2016. The main increase was fees incurred for the Company to be listed on the OTCQB stock exchange in the United States.

Marketing and Promotion

	Three-months ended December 31,		
	2017	**2016**	**Variance**
Total M&P expenses	**95,094**	**27,082**	**68,012**
Consultant costs	**50,000**	**21,000**	**29,000**
Investor relations	**24,000**	**-**	**24,000**
Travel costs	**21,094**	**6,082**	**15,012**

Marketing and promotion costs have increased substantially over 2016.

Consulting costs are up as the Company continues to push its product in the Middle East. The Company sees this region as a potential gain to sell its ADS products. Consultants have been added to staff to help the Company achieve this endeavor.

Investor relations costs are up in 2017 as the Company engaged a new IR firm as of May 2017.

Research and Development:

	Three-months ended December 31,		
	2017	**2016**	**Variance**
Total R&D expenses	**201,601**	**168,010**	**33,591**
Amortization expense	**17,664**	**15,844**	**1,820**
IT costs	**-**	**5,250**	**(5,250)**
R&D costs	**36,858**	**13,347**	**23,511**
Travel costs	**4,327**	**-**	**4,327**
Wages	**142,752**	**133,569**	**9,183**

R&D costs have increased by $33,591 over 2016.

Amortization expense has remained similar to 2016.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the three month periods ended December 31, 2017 and December 31, 2016 (Cont'd)

Research and Development (Cont'd)

Wages have increased marginally as the Company has hired new staff to help it complete several projects in Q1 and Q2 of FY2018.

Comparison of the six month periods ended December 31, 2017 and December 31, 2016

The Company sustained a loss of $1,528,075 for the six-month period ended December 31, 2017 vs. a loss of $947,684 for the six month period ended December 31, 2016. The small decrease in loss is due to decreases in R&D costs, marketing and promotional costs ("M&P") and inventory consumed.

Revenues:

	Six-months ended December 31,		
	2017	**2016**	**Variance**
Total Revenues	**4,520**	**169,331**	**(164,811)**
Star MMI	**4,520**	**169,331**	**(164,811)**

Revenues for the six month period ending December 31, 2017 have decreased by $164,811 over the same period of 2016.

The STAR-M.M.I.™ sales accounts for the majority of the decrease over 2016. The program has generated consistent revenues since the first sale in September of 2014. The Company completed and billed several MMI projects in Q3 of FY2018.

Cost of Inventory Consumed:

	Six-months ended December 31,		
	2017	**2016**	**Variance**
Total Cost of Inventory Consumed	**9,403**	**31,301**	**(21,898)**

Cost of inventory consumed for the six month period ending December 31, 2017 declined over 2016 with the STAR-M.M.I.™ program due to minimal sales within the STAR-M.M.I.™ program. Efficiencies in the parts components were responsible for the drop.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the six month periods ended December 31, 2017 and December 31, 2016 (Cont'd)

General and Administrative (Cont'd)

General and Administrative:

	Six-months ended December 31,		
	2017	**2016**	**Variance**
Total G&A expenses	**587,960**	**599,157**	**(11,197)**
Accounting fees	**12,000**	**43,260**	**(31,260)**
Bank charges & interest	**2,967**	**5,497**	**(2,530)**
Board and Committee fees	**36,000**	**49,947**	**(13,947)**
Insurance	**30,046**	**48,289**	**(18,243)**
Other	**129,889**	**36,207**	**93,682**
Professional fees	**2,214**	**33,941**	**(31,727)**
Rent	**72,000**	**101,050**	**(29,050)**
Wages	**302,844**	**280,966**	**21,878**

Board and Committee fees are down this year as the Company had two fewer directors than what it had in 2016 in the same period.

Insurance costs continue to drop in 2017. The Company has been able to negotiate lower rates for its commercial and liability insurance. Group insurance costs are the largest component of insurance costs.

Wage expense increased this period over 2016 as the CEO is back to full salary.

Rent expense has dropped as the Company has a new landlord for its Head Office in Toronto. TMI costs are not now booked on a quarterly basis.

Other expenses have increased this quarter over 2016. The increases were mainly associated with the Company's efforts to get listed on the OTCQB exchange.

Marketing and Promotion

	Six-months ended December 31,		
	2017	**2016**	**Variance**
Total M&P expenses	**363,022**	**53,582**	**309,440**
Consultant costs	**264,315**	**47,500**	**216,815**
Investor relations	**60,000**	**-**	**60,000**
Travel costs	**38,707**	**6,082**	**32,625**

Marketing and promotion costs have increased substantially over 2016.

RESULTS OF OPERATIONS (Cont'd)

Comparison of the six month periods ended December 31, 2017 and December 31, 2016 (Cont'd)

Marketing and Promotion (Cont'd)

Consulting costs are up as the Company continues to push its product in the Middle East. The Company sees this region as a potential gain to sell its ADS products. Consultants have been added to staff to help the Company achieve this endeavor.

Investor relations costs increased for the period as the Company engaged a new IR firm as of May 2017.

Research and Development:

	Six-months ended December 31,		
	2017	**2016**	**Variance**
Total R&D expenses	**532,991**	**347,918**	**185,073**
Amortization expense	**34,117**	**31,688**	**2,429**
IT costs	**-**	**10,500**	**(10,500)**
R&D costs	**159,497**	**14,170**	**145,327**
Travel costs	**5,234**	**-**	**5,234**
Wages	**334,143**	**291,560**	**42,583**

Amortization expense has increased slightly in the six month period over 2016.

Wages are up due to the addition of staff needed to completed certain projects under-taken by the Company.

FOREIGN EXCHANGE GAIN/LOSS:

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Non-monetary assets and liabilities as well as revenue and expense transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Translation gain or loss adjustments are recognized in the period in which they occur.

FOREIGN EXCHANGE GAIN/LOSS (Cont'd)

The Company is exposed to fluctuations in the value of the following financial instruments which are denominated in US dollars:

	December 31, 2017	June 30, 2017
Cash	**$ 126,410**	$ 30,465
Accounts receivable	**6,726**	33,467
Accounts payable	**(56,074)**	(56,074)
	$ 77,062	$ 7,858

Based on the Company's net exposure to US dollar denominated instruments at December 31, 2017 and 2016, a sensitivity analysis has not been presented as it would be immaterial.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $139,293 at December 31, 2017 compared to a cash balance of 141,891 at June 30, 2017 resulting in a decrease $2,598. The Company has a working capital deficiency of $2,454,496 at December 31, 2017 compared to a working capital deficiency of $4,603,856 at June 30, 2017. The decreased working capital deficiency is due to the large amount of the current liabilities which were settled with a shares for debt exchange that occurred in July 2017. This shares for debt exchange resulted in over $2.1 million in current liabilities being removed from the balance sheet thereby reducing the Company's working capital deficiency. The Company also saw an increase in its cash reserves due to the exercise of warrants by its shareholders as the Company's stock price increased in the months of July and August 2017, as well as the Company started to raise money through a private placement of shares (See Subsequent Events).

The Company will continue to need more funding either through private placements, exercise of warrants and options or other financing options to sustain operations until revenues from the STAR-M.M.I.™ and STAR-A.D.S. ® programs generate adequate cash flows.

The Company continues to monitor its monthly spending as it plans for the current fiscal year.

The Company has in the past relied on the CEO for short-term funding requirements.

The Company has borrowed from private investors at various times throughout the year. These loans were settled in the shares for debt exchange completed in July 2017 by the Company.

STAR-M.M.I.™ revenues for the six-month period ended December 31, 2017 were $4,520 compared to $169,331 for the same period in 2016. The Company did not receive any new sales from one of its major customers in Q2 of FY2018. Several MMI projects were completed and billed in Q3.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

For the period ending December 31, 2017, cash flow used in operating activities was $1,661,942 as compared to $651,257 at December 31, 2016. The large increase was due in large part debt paid down by the Company due to a shares for debt conversion and an influx of cash due to warrants being exercised by its shareholders. The Company's average monthly cash burn has now stabilized but the Company continuously looks for further ways to reduce costs until revenues have increased adequately to reduce the need to borrow/raise funds.

Management is currently evaluating various financing options for the Company's short and long-term obligations. The financing alternatives can include debt and/or equity financings, asset sales and rights offerings to existing shareholders. There is no assurance that future funding will be available on favorable terms to the Company, or at all

The Company has depended in the past on the support of its shareholders for financing. This will continue to be the case until revenues from both the STAR-A.D.S. ®, STAR-TTT™, STAR *V-trk*™ and STAR-M.M.I.™ products are able to cover the monthly costs.

The Company is subject to the risks generally associated with high-technology companies, which include fluctuations in operating expenses and revenues.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2017 the Company had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

OUTSTANDING SHARE DATA

Series I First Preferred Shares	615,000
Common Shares	444,435,424
Share Purchase Warrants	77,895,509 (exercise prices ranging from $0.07 cents to $0.09)
Stock Options	5,599,900 (exercise prices ranging from $0.05 to $0.15 with expiry dates up to March 1, 2021 and various graded vesting provisions).

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

Future IFRS changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

Financial Instruments - IFRS 9

Financial Instruments - IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Revenue from Contracts with Customers - IFRS 15

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 18, Revenue, among other standards. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. The new standard is effective for fiscal years beginning on or after January 1, 2018, and is available for early adoption.

The Company has not yet assessed the impact of adoption of IFRS 15, and does not intend to early adopt IFRS 15 in its consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED (Cont'd)

Leases – IFRS 16

Leases ('IFRS 16") replaces IAS 17, Leases ("IAS 17"). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a 'right-of-use asset' with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

Share-based Payments – IFRS 2

IFRS 2, Share-based Payments ("IFRS 2") - In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share based payment that changes the classifications of the transaction from cash-settled to equity settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim condensed consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to the determination of the expected life of property and equipment and intangible assets; inventory valuation; valuation of deferred income tax amounts; impairment testing on intangible assets; the calculation of stock-based compensation; and the valuation of options and warrants granted.

The most significant judgments are net realizable value of inventory, allowance for doubtful accounts, useful lives and impairment of capital assets and intangible assets, stock based compensation expense, valuation of warrants, going concern uncertainty and realization of deferred tax assets.

RELATED PARTY TRANSACTIONS

The Company has accrued and carries a significant balance on its consolidated financial statements of amounts due to related parties. The amounts represent compensation accrued with respect to salary compensation for its officers, and monthly compensation accrued for its directors and committee chairpersons that has accumulated over the past several years.

The Company's Board of Directors are compensated at the rate of $2,000 per month for performing duties such as providing guidance to management in areas such as corporate governance, reviewing strategic plans, budgeting, material contracts or joint ventures and any other material information deemed necessary. Such amounts are accrued.

Committee Chairpersons are selected from amongst the Directors of the Company to lead the Audit, Compensation/Corporate Governance and Strategic Planning/Human Resources committees. Chairpersons are remunerated at the following rates; Audit Chairman - $2,000 per month accrued, Compensation/Corporate Governance Chairman - $1,000 per month accrued, Strategic Planning / Human Resources Chairman - $1,000 per month accrued. All of the above amounts are recognized in the consolidated financial statements of the Company.

Mr. Pierre Jeanniot, Chairman of the Compensation/Corporate Governance Committee, resigned as a director of Star for health reasons in mid-November 2016. His replacement as Chairman of this committee has not been determined at this time.

The terms for payment of the amounts accrued to the various Board and Committee members are restricted. These amounts can only be settled when individuals wish to exercise options that have been granted to them by the Company or to participate in a private placement being offered by the Company. Such amounts are non-interest bearing and unsecured.

The Company has an exclusive license agreement in place with a company owned and controlled by its CEO and Chairman of the Board, regarding the use of patents related to the STAR-ISMS® technology.

The Company has an employment agreement in place with its CEO and Chairman of the Board regarding royalties to be paid upon future sales of the Company's STAR-ISMS® technology products which becomes effective under certain conditions on the termination of the CEO from the Company.

The Company had an employment agreement in place with its CEO and Chairman of the Board regarding salary forgiveness for the year ended June 30, 2016. In lieu of salary for the year ended June 30, 2016, the CEO received compensation based on ten-percent of total revenue related to repairs and maintenance of STAR-MMI which amounted to $44,801. For fiscal 2017 and for fiscal 2018 the CEO was and is back to a regular salary which is 100% accrued.

RELATED PARTY TRANSACTIONS (Cont'd)

During the year ended June 30, 2016, the Company settled a $21,700 payable to a vendor in exchange for 434,000 issued and outstanding common shares of the Company. These common shares were held by a third party who agreed to transfer their shares in exchange for a personal guarantee from the CEO to repay the third party. As at December 31, 2017 and June 30, 2017, the $21,700 is included in the interest-bearing component of the amount due to CEO (prime + 2% per annum).

During the year ended June 30, 2016, the Company settled a $20,000 payable to a vendor in exchange for 400,000 issued and outstanding common shares of the Company that were held by the CEO. The Company has the option to repay the CEO with 400,000 common shares of the Company or in cash. As at December 31, 2017 and June 30, 2017, the $20,000 is included in the interest-bearing component of the amount due to CEO (prime + 2% per annum).

The amount due to related parties at December 31, 2017 is $1,738,578 (June 30, 2017 - $2,565,243) and is comprised of the following:

	December 31, 2017	June 30, 2017
Due to Directors	**$ 24,000**	$ 176,000
Due to Committee Chairpersons	**6,000**	26,000
Due to Chief Executive Officer [(a)]	**1,573,616**	2,030,310
Due to Chief Operating Officer	**134,962**	248,182
Due to Chief Financial Officer	**-**	84,751
Total at December 31, 2017	**$1,738,578**	$2,565,243

(i) $1,573,616 (June 30, 2017 - $1,882,426) of the balance bears interest at prime + 2% per annum; Interest accrued on the outstanding loan to the CEO for the period ended December 31, 2017 was $41,488 (June 30, 2017 - $85,251).

The Company has a loan agreement in place with the CEO dated December 31, 2015. The CEO has voluntarily waived his right to demand repayment on the amounts due to him by the Company prior to July 1, 2018.

All amounts are unsecured and have no fixed terms of repayment.

The Company also owes $Nil (June 30, 2017 - $8,662) in credit card debt that is guaranteed by the CEO and Chairman of the Board in accounts payables and accrued liabilities.

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

RELATED PARTY TRANSACTIONS (Cont'd)

The amount due to related parties included in the interim condensed consolidated statement of comprehensive loss as of December 31, 2017 is $354,238 (December 31, 2016 – $368,555). This amount in general and administrative expense represents fees paid and accrued to directors and officers of the Company:

	December 31, 2017	December 31, 2016
Chief Executive Officer	**$ 141,000**	**$ 141,000**
Chief Operating Officer	**123,750**	**93,000**
Chief Financial Officer	**12,000**	**43,260**
Board of Director fees	**24,000**	**33,000**
Committee Chairperson fees	**12,000**	**16,947**
Interest on loan to Chief Executive Officer	**41,488**	**41,348**
Total at December 31, 2017	**$ 354,238**	**$ 368,555**

CONTINGENCY

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, vendors and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

SUBSEQUENT EVENTS

On January 11, 2018, the Company closed a non-brokered private placement, having issued 4,000,000 units of the Company (the "Units") at a price per Unit of $0.10 for gross proceeds of $400,000. Each Unit consists of one common share in the capital of the Company and one warrant. One warrant entitles the holder to purchase one (1) additional common share of the Corporation at fifteen ($0.15) cents per warrant exercised. The warrants are exercisable during the one (1) year period from the date of issue.

RISK FACTORS AND RISK MANAGEMENT

Although management is working diligently towards generating revenue, improving cost containment and achieving profitable operations, the Company is subject to the risks generally associated with high-technology companies. These risks include fluctuations in operating expenses, lengthy sales cycles, the pace of technological change, human resource costs of necessary additional research and development, competition, regulatory approvals and permitting, and the need to secure further equity or debt financing and/or funding.

The Company is also subject to the risk of competition in a fast-moving high technology industry. Protection of the Company's intellectual property carries the risk of expensive litigation. Retention of highly skilled key personnel, fluctuation of input costs, travel costs and general economic conditions may impact the Company's performance.

The Company's revenues depend mainly upon three factors: hardware sales, ongoing monthly monitoring charges and airtime and STAR-M.M.I.™ repair activities. Revenues from hardware are normally a one-time event and are dependent upon sales. Therefore, these revenues will vary from period to period. Revenue from a customer from ongoing monthly monitoring is relatively stable, but can vary depending upon usage and, in rare cases, upon the financial health of the customer. Revenue from STAR-M.M.I.™ Division activities has been relatively stable on an annualized basis but can and does vary throughout the year, as has been noted earlier in this MD&A.

The Company is working diligently to increase the level of sales across its product suite, carefully monitors the payment records of its customers, and sets its pricing models to reflect risk and return realities.

Operating expenses are generally stable but will vary depending on required staffing levels, equipment update and replacement, sales activity and required R&D activities. These expense items are pre-revenue in nature. As the Company now offers a fully developed STAR-A.D.S.® System to the commercial aviation world, the demands upon its R&D department are increasing, resulting in the need to hire additional staff in this area. STAR-M.M.I.™ R&D expenses are relatively low at this point.

Also, as the Company is determined to protect its Intellectual Property, cases of potential infringement of patent are not predictable and the legal costs involved can be substantial.

The Company's target clients for the flagship STAR-A.D.S.® System are mainly commercial airlines, helicopters and EMS operators. As is the case with high technology sales to any large commercial operation operating on slim margins in a competitive environment, the sales cycle is generally a lengthy one, involving multiple varied sales presentations to several different departments and stakeholders, including engineering, finance, operations and the executive. The target clients for STAR-T.T.T.™, STAR-V-*trk*™ and STAR-M.M.I.™ represent a much larger group which should require a shorter sales and installation cycle.

A large percentage of the Company's sales initiatives prior to STAR-A.D.S.® involved non-North American customers, with the attendant travel and time requirements.

RISK FACTORS AND RISK MANAGEMENT (Cont'd)

Amongst other initiatives, the Company is continuing to review and reorganize its sales process. Where possible, it makes greater use of video conferencing, although face to face meetings are required with respect to already well defined and prepared prospects and opportunities.

It is also refocusing its efforts to provide an enhanced emphasis on potential North American customers, while maintaining its existing initiatives overseas.

In order to maintain and enhance its current competitive position, the research and development department of the Company is continually working to upgrade the existing functionality, size, weight and price point of the STAR-ISMS® G3 hardware, the capabilities of the STAR-A.D.S.® System as a whole and the ease of use and functionality of information available through the date management centre. Development of the next generation G3 system is complete, and work on Phase 2 enhancements to the GUI is continuing.

Although the Company's exclusive world-wide license to the patented technology underlying the STAR-ISMS® unit provides a large measure of security, advances in technology are possible.

Regulatory matters can delay the sales process to varying degrees. The Company relies upon entities such as Transport Canada ("TC") to issue approvals such as Supplemental Type certificates ("STC's"), required whenever the Company is installing equipment aboard an aircraft.

Until revenues exceed expenses, the Company raises the necessary capital through private placements and other financing tools. There can be no assurance that management will be successful in raising the necessary capital required to fund ongoing activities.

As noted herein, there are a number of risks inherent in the business of the Company. As a result of those risks, and its present stage of development, an investment in the Company should be considered highly speculative.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the CEO and CFO file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in NI 52-109.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES (Cont'd)

As part of our corporate governance practices, ICFR and DC&P have been designed. There has been no formal evaluation of the operation of these controls. The Company has designed its ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance IFRS.

Management works to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

The Company's DC&P have been designed to ensure that information required to be disclosed by Star is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Company's CEO and CFO believe that the Company's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors or fraud. There have been no material changes to the internal controls of the Company for period ended December 31, 2017.